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SUBJECT: WHY THE LABOUR PARTY LOST THE NZ ELECTION

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11. (SBU) Summary. Ever since John Key took the helm of the National Party in December 2006, Helen Clark and the Labour Party seemed flat, out of step, and headed for defeat in the 2008 election. Economic issues were at the forefront of voters' minds and National convinced the electorate that it was better placed to steer New Zealand forward in poor economic times as well as adopt more pragmatic fiscal policies for the majority of Kiwis. Voters questioned whether Labour's legislative priorities mirrored public concerns. New Zealand's growing law and order problems largely went unaddressed by the Labour Government. Helen Clark's continued support for embattled Foreign Minister Winston Peters appeared more desperate than principled, and the Labour Party's dirty tricks campaign also signaled a party more interested in discrediting the opposition than running on its record. Finally, Labour's much-vaunted grassroots network in Auckland failed to get out the vote, which had helped Labour win the election in 2005. As the first step towards recovery, new Labour leader Phil Goff has acknowledged some of the party's missteps and promised to address them. End Summary.

Pulled Down by the Faltering Economy

12. (SBU) While Labour had made a number of policy missteps in the lead up to the election, the economy emerged as the most important issue for voters as commodity prices rose and the international financial crisis arrived at New Zealand's doorstep. Despite presiding over the longest period of growth in a generation, Labour went into the election with the economy in recession and years of government debt ahead for the foreseeable future. The Labour Government's rollout of economic enticements just before the election was ill-timed as voters wondered how the government could pay for everything while the world economy was in free fall (and also why the government had not been generous earlier when budget surpluses were plentiful). In a surprise move, the Government announced that it would buy back the national rail system at a cost of over NZD 1 billion, without any public discussion or study period. The decision appeared to many observers to be the Labour Party's way of spending down any surplus discretionary funds so that National would find an empty Treasury on coming into office. National's long-standing platform of tax cuts and greater fiscal prudence won voters over as

polls showed that the public trusted National more than Labour to rebuild the economy and recalibrate the government's tax and revenue base to move the country forward.

13. (SBU) Deputy PM and Finance Minister Michael Cullen resisted tax cuts for years, and this turned out to be a key factor behind Labour's loss. As rising commodity prices ate into household budgets over the past year, Cullen danced around the issue of tax cuts and criticized National's early call for tax cuts as imprudent. With the economy in recession and families strapped for cash, Cullen's belated tax cut announcement was viewed as too little, too late. Many voters saw it for the short-term bribe that it was -- and many remembered that Cullen had promised a tax cut on the eve of the 2005 election, but then cancelled the tax cut after Labour won the election. They suspected this too would be a benefit that could easily evaporate once Labour was assured of three more years in office.

Disconnect with the Public

14. (SBU) A central explanation behind Labour's loss of support was a perceived disconnect with the greater part of New Zealanders. Many of Labour's policy decisions and its legislative agenda over the past several years did not line up with the priorities of most New Zealanders. Consequently, a good portion of the electorate believed that Labour no longer represented the interests of "ordinary" New Zealanders. This perception was underscored by the Labour Party's refusal to acknowledge New Zealanders' growing unease over the rise in violent crime in the country. One of

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John Key's first major policy announcements in 2008 centered on National's proposals to address law and order issues, and law enforcement groups welcomed the policy proposals. In contrast, the Labour Government argued that there was no problem to begin with, and suggested that the media were simply reporting more crime. Justice Minister Annette King also downplayed any increase in crime in late 2007/early 2008, blaming it on the hot weather.

Questionable Legislative Priorities

15. (SBU) A number of Labour policy decisions underpinned Labour's disconnect with voters. Two controversial pieces of legislation that the Labour-led Government passed into law in 2007 stand out: the 'anti-smacking' (spanking) law and the deeply divisive Electoral Finance Act. In response to growing concerns regarding child abuse in New Zealand, Labour pushed forward a bill promoted by its support partner, the Green Party, which effectively banned parents from spanking their children. The National Party gave lukewarm backing to the bill, qualifying their support by noting that if good parents were unduly targeted for administering occasional corporal punishment, National would rethink the law. However, many in the New Zealand public viewed it as Labour taking away parental rights and unnecessarily interfering in a family's right to discipline its children. The law remains very controversial, and a petition to overturn the law was presented to Parliament before the election.

16. (SBU) The Electoral Finance Act (EFA) sparked one of the biggest controversies in New Zealand politics in 2007. The purpose of the Act is to increase state oversight of political activity and to restrict unhealthy influence of wealthy interests. However, the law received almost universal disapproval from New

Zealand's media and legal experts alike for being unworkable, poor drafted, anti-democratic and conceived to advantage Labour. Ironically, the political party that was deemed to violate the EFA the most during the recent election campaign was the Labour Party -- a factoid gleefully proclaimed by the media.

Nanny State Under Labour

¶7. (SBU) Throughout its nine years in power, Labour was often criticized as having a 'Nanny State' mentality - moving public policy into the realm of legislating social behavior. The anti-spanking and electoral finance laws were both perceived by much of the population as government overreach in areas where the government should stay out, e.g., parenting and political expression. Labour reinforced this perception in the weeks before the election when it considered regulatory measures that would limit how much water pressure New Zealanders could use in the shower as a means to control energy costs. Call-in radio show commentary indicated that the public viewed it differently and PM Clark was forced to announce a policy retreat.

Controversial Bedfellows

¶8. (SBU) Although not part of the Labour-led coalition government formed in 2005, the Green Party's polling numbers in the lead up to the 2008 elections increased the party's political profile as an attractive post-election partner for Labour. To attract Green Party support, Labour changed its Emissions Trading Scheme legislation to accommodate Green Party concerns. National accused Labour of placing political expediency and Clark's desire for a fourth term in office above the interests of the country by passing ideologically-driven legislation. Business leaders railed against the ETS as too costly for a country the size of New Zealand, particularly as the economy was already contracting. Amending the ETS remains one of the priorities of the new National-led government.

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¶9. (SBU) Clark's reluctance to distance herself from scandal-ridden Foreign Minister Winston Peters when he was engulfed in a political funding controversy undoubtedly hurt her politically and served to undermine a central theme of her election campaign: trust. Only when Parliament censured Peters for providing misleading statements did Clark direct him to step down temporarily from his ministerial portfolios. New Zealand voters recognized that Clark needed Peters' New Zealand First party support, assuming his party returned to Parliament, to govern. Revelations that Clark knew more about the funding controversy than she had admitted undermined her efforts to promote trust as a central theme for the election. Prior incidents, such as her signing a painting she herself did not paint for a charity auction and misuse of taxpayers money to fund advertising in the 2005 election, meant that Clark and the Labour Party were seen by some voters as not entirely honest.

Dirty Tricks

¶10. (SBU) National's campaign throughout the election period remained forward looking and geared to the issues. Labour, on the other hand, ran negative television and radio advertisements accusing National of a secret agenda and hiding its real policies from

voters -- a tactic that had helped Labour in its 2005 campaign. While it may have swung a few percentage points for Labour within the electorate this time, the negativity may also have backfired as the scaremongering had little impact on voters. Moreover, the media lambasted Labour Party President Mike Williams when he flew to Australia at taxpayer expense to dig up dirt on National leader John Key over a finance scandal dating back two decades -- for which Key had already been cleared.

¶11. (SBU) A youth activist, while never linked explicitly to the Labour Party, also made headlines during the campaign for secretly taping conversations with National Party senior leaders at a National Party convention earlier in 2008 and then leaking them to the media months later during the campaign for maximum potential damage to National. Although mildly embarrassing, none of the conversations convincingly showed that National had a radical right-wing or secret agenda that it was shielding from voters, and Labour's continued references to the tapes looked increasingly desperate.

Winds of Change -----

¶12. (SBU) After nine years of a Labour-led government, the desire for change was strong among voters who had witnessed the historic U.S. election just days earlier. Many Labour MPs have been on the political scene for a long time and despite attempts to rejuvenate its ranks, Labour's senior, and most visible, cadre remains essentially the same. In contrast, National Party leader John Key is a relatively recent arrival in Parliament and was not associated with previous National governments or unpopular policies of the past. National also introduced a number of fresh faces among its rank and file, including women and ethnic minorities. Labour, by comparison, was seen as tired and old.

13 . (SBU) It could be argued that Labour's previous election victories - 2002 and 2005 - were largely due to the relative weakness of the opposition National Party at those times. The 2008 version of the National Party is considerably stronger and more unified than in recent election years. Key has moved a sometimes fractious party into the political center and presented Clark's most formidable opponent since she became Prime Minister in 1999. In the three head-to-head debates between the two leaders it was Key who on balance came out on top. Debating has been a particular strength of Clark and her inability to best Key in this arena damaged Labour in the lead up to the election.

Where Was South Auckland?

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¶14. (SBU) On election night, National Party supporters resisted the urge to celebrate as the poll results came in and remained largely unchanged throughout the evening. As National had learned in 2005, the South Auckland vote (a traditional Labour stronghold) could tip the balance for Labour and give Clark a last-minute victory. However, even as the Auckland votes were counted, the poll results and overall party vote did not change. Media analysts noted that the overall percentage of voter turnout was the lowest in thirty years, and the South Auckland vote was not nearly as strong in 2008 as in 2005. Labour Party supporters had a much more difficult time motivating voters to get out this year -- the reasons for which are still not entirely clear.

Comment

¶15. (SBU) In the year before the election, the polls, call-in radio shows, and the media continually said that the once formidable Labour Party machine, the Government, and even PM Helen Clark seemed tired and out of touch. That may explain, in part, why Labour seemed inflexible in going against public will in pursuit of policies that lacked broad public support. The issues of greatest importance to voters -- the economy and law and order -- were at the top of National's list but largely ignored by Labour. Since the election, the new Labour Party leadership has acknowledged that Labour had lost the pulse of the public, and new Labour Party leader Phil Goff has promised a review of how there came to be a disconnect with a significant proportion of the electorate.

McCormick